



Oxfam
FAIRTRADE
For a just world

English

Price structure

Price structure

The relativity of a price structure

Publishing the price structure of an Oxfam Fairtrade product is a difficult exercise in striking a balance.

First, price structures are very much products of their time. “The” market price of a product does not exist; it fluctuates continuously.

Second, you must take account of all the steps in production, transport and sale. The cost weighs heavily particularly in compound products such as chocolate and biscuits so a price structure is a very complicated matter.

Third, it is important to assess the impact of fair trade not only in terms of prices. Because fair trade is so much more than just a fair price...

World market price

The price of very many ingredients and agricultural crops is conditioned by the market.

Every ingredient and every crop has its own price setters.

- The Argentines determine in large measure the price of honey in the world.
- The German importers set the price for bananas in Europe.
- The Kruishoutem auction fixes the price of a Belgian egg.
- The Moshi exchange sets the price of coffee in Tanzania.

“The” world market price does not exist, in other words. Prices differ depending on the country, region, day of the year and product quality.

Fair trade minimum price

Fairtrade Labelling Organisations International (FLO, the umbrella organisation of national labelling initiatives such as Max Havelaar in Belgium) takes due account of these differences and uses several fair trade minimum prices for most types of products. These should be considered as recommended prices: fair trade does not pay less.

Fair trade pays the fair trade minimum price to the producers’ organisation with which it cooperates. What the organisation pays to its member producers depends on several factors.

At Oromia, an umbrella organisation of more than one hundred coffee cooperatives in Ethiopia, 30% of the price goes to the umbrella organisation (to cover the costs of transport, processing and other services) and 70% to the affiliated cooperatives. Each cooperative keeps 30% of this for itself, and remits 70% to the farmers. However, Apicoop, a honey cooperative in Chile, pays 90% directly to the beekeepers.

What goes to the South?

One third of the turnover of Oxfam Fairtrade effectively goes to the South. That share differs depending on the type of product: for coffee it is about half, for fruit concentrate a quarter. Several factors determine the percentage that remains in the South: for example, the degree of processing in the South (a product that can be processed and finished in the South offers more added value for the producers than a product that is processed in the North), whether it is a composite product or not, and variables such as transport costs and customs duties.

Fair trade’s ambition is to have as high an amount as possible go to producers in the South and for the maximum added value to remain in the South. More processing by the producers increases the market value of the product and creates employment.

Regrettably, processing in the South is not always possible or desirable. At times it is impossible because the infrastructure and facilities are lacking, and the expertise or money needed to create said infrastructure are also lacking.

In other cases, it is not desirable. Most coffee, for example, is a mix of beans from different sources. The consumer’s (taste) preferences can be anticipated better when

coffee is mixed and roasted in the North. For the juice manufacturer in the North, working with concentrate instead of fresh citrus fruit is not only far cheaper but also more interesting for reasons to do with quality and logistics.

What does the product cost in the North?

Fair trade is market dependent. Different links in the production chain are needed to get a product to the consumer.

There are costs for processing, packaging, transport, customs, insurance and storage. In addition, the producers pay a contribution for the FLO label and, where applicable, an organic certificate.

Oxfam Fairtrade and Oxfam-Wereldwinkels have costs, so they both need an operating margin. What applies to the “fair price” applies also to the composition and scope of this cost exposure: it differs from product to product.

All this makes an unambiguous price structure very difficult. Every price structure is actually a snapshot of a certain product of a certain quality.

Fair trade is far more than just a fair price

- In addition to the ‘fair price,’ fair trade pays a premium to the group of producers.
- The support of fair trade enables producers to take their development into their own hands.
- Fair trade has an eye for people- and environment-friendly production.
- Fair trade creates a broader base through awareness raising and economic and political policy influence.



photo: Griet Hendrickx

Price structure

Bio Gold: 100% from Ethiopia

Update: 1 April 2010

Product and producer

Oxfam Fairtrade buys quality coffee for Bio Gold directly from the Oromia Coffee Farmers Cooperative Union. OCFCU is the umbrella organisation of 115 cooperatives in Oromia, Ethiopia's largest province. 60% of the coffee in the country is produced in that province. All OCFCU members are small producers, with an average size of 0.5 to 2 hectares.

The Oromia Coffee Farmers Co-operative Union is trying to cope with the economic malaise in Ethiopia. The initiators of this union want to bring more structure into coffee trading and to advise and support producers on marketing their coffee by getting organised as a cooperative.

The price structure of a pack of Bio Gold on 1 April 2010*

- 300gr of green coffee is purchased from the Union at € 0.99 per 250-gram pack;
- In addition, a fair trade premium of € 0.16 is paid per pack for projects such as hospitals, water, schools, etc.;
- Transport to Belgium costs € 0.06;
- The processing, packaging, guarantees, taxes, etc. add another € 0.28;
- Total cost price: € 1.49;
- Consumer price = € 2.99. The difference goes to VAT, margin (operating costs, transport, overhead, etc.) and world shops margin.

33% of the consumer price goes to the farmers' organisation which distributes it among its members. 5% goes to OCFCU as fair trade premium.

**This date is important! A price structure is always a snapshot. Coffee prices are constantly changing on the world market.*



photo: Diego Urarte

Price structure

Organic cane sugar from Paraguay

Update: 1 April 2010

Product and producer

Oxfam Fairtrade unrefined organic cane sugar comes from Paraguay. The members of the El Arroyense, Montillo and Manduvirá cooperatives in that country grow sugar cane in an organic manner. They sell part of their sugar cane to Otissa (a commission agent), and they have the rest processed under their own management at Censi & Pirota (a sugar refinery). Since 2007, they have been able to export cane sugar on their own.

Price structure of a (500gr) pack of organic sugar on 1 April 2010*

Producer	0.29 eurocents
• Of this, 0.12 cents go to the (unprocessed) raw cane sugar	
• The fair trade premium accounts for 0.03 cents per pack (about 58/tonne)	
• Processing and packaging account for 0.14 eurocents	
Transport, customs, insurance and storage	0.32 eurocents
Further processing in the Netherlands	0.13 eurocent
Packaging	0.14 eurocent
Contributions for organic guarantee and Max Havelaar	0.04 eurocents
Total cost	0.9 eurocents
Total consumer price	1.69 eurocents

14.5 % of the consumer price goes to the producers in Paraguay.

**This date is important! A price structure is always a snapshot. Sugar prices are constantly changing on the world market.*

In perspective...

In 2008, Oxfam Fairtrade bought 480 tonnes of cane sugar from Montillo and Arroyense. In 2007 this was "only" 290 tonnes.

480 tonnes x € 58 = €27,840 fair trade premium, 50% of which goes directly to the producers and 50% is invested in projects for education, health, infrastructure, etc., for the benefit of the community as a whole.

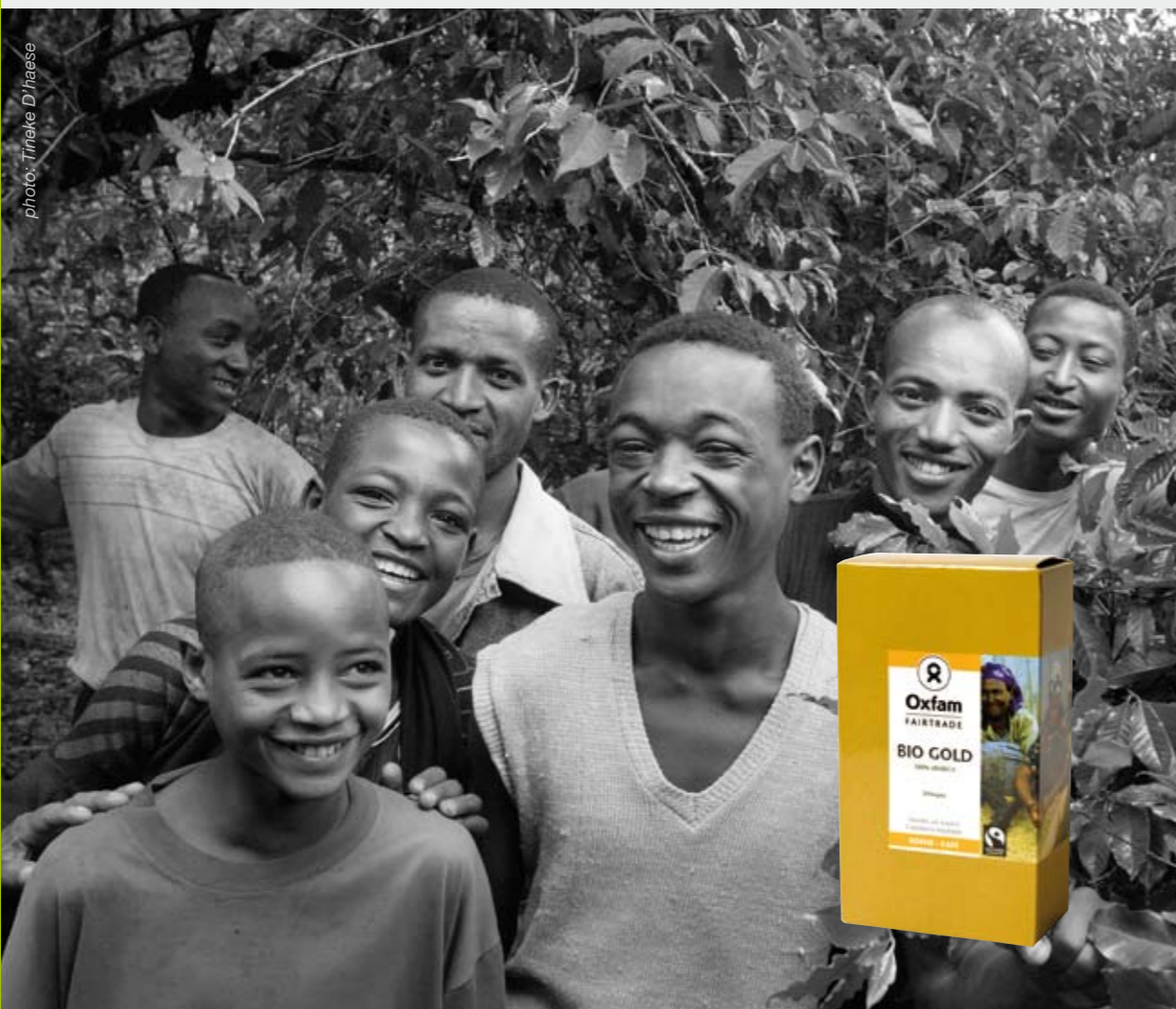


photo: Thelma D'haese

Price structure

Organic tea from Sri Lanka

Update: 1 April 2010



Product and producer

Biofoods is a small export organisation of organic products in Kandy (central Sri Lanka).

Biofoods helps producers to get organised and has built a tea and herb processing plant. Oxfam-Wereldwinkels buys different sorts of tea ready for consumption from the organisation. By processing and packaging the tea itself, Biofoods creates many more jobs in the region and can sell the tea at far better prices.

Price structure of a box of organic tea on 1 April 2010*

• Purchase price from Biofoods, including ocean freight	€ 2.40
• Fair trade premium to Sofa (group of producers)	€ 0.07
• Clearance, transport, quality control cost, Max Havelaar	€ 0.24
• Total cost	€ 2.71
• Consumer price	€ 5.35

The difference between the total cost and the consumer price consists of the VAT, the margin that Oxfam Fairtrade needs (for operating costs, transport to world shops, etc.) and the margin of the world shops.

46% of the consumer price goes to the producers of SOFA/Biofoods.

**This date is important! A price structure is always a snapshot. Tea prices are constantly changing on the world market.*



photo: Tineke D'haese

Price structure

Dark chocolate: cocoa from Ivory Coast, sugar from Paraguay Update: 11 January 2010

Product and producer

Kavokiva is a cooperative of 5817 cocoa and coffee farmers that exports directly, and therefore is less dependent on commission agents or "middlemen" and can consequently obtain better prices. It drives the average cocoa price up in the entire region, so that all cocoa farmers can get a better price for their crop.

Thanks to the fair trade premium, it can offer its members important services such as quality information, rotation of plantations, the introduction of sustainable production techniques, transport, warehouses, etc. On the social front, it has built a health centre and is working on adult literacy, AIDS information, the prevention of child labour, and education.

Oxfam Fairtrade unrefined organic cane sugar comes from Paraguay. The members of the El Arroyense, Montillo and Manduvirá cooperatives in that country grow sugar cane in an organic manner. They sell part of their sugar cane to Otissa (a commission agent), and they have the rest processed under their own management at Censi & Pirotta (a sugar refinery). Since 2007, they have been able to export cane sugar on their own.

Price structure of a (200gr) bar of dark chocolate on 11 January 2010*

The bar consists of 48% cocoa and 50% sugar.

• Sugar for 200 grams of dark chocolate:	
o € 0.048: amount for the sugar cooperative	
o € 0.075: transport, customs, import duties, insurance...	
• Cocoa beans for 200 grams of dark chocolate:	
o € 0.077: amount for the cocoa producer	
o € 0.02: amount for the cooperative (transport to harbour, operating costs)	
o € 0.05: Ivorian government (tax)	
• € 0.48: ocean freight for cocoa beans, processing of cocoa beans to chocolate in the North (not by Oxfam Fairtrade)	
• € 0.29: packaging of chocolate into bars, transport	
• Total cost: € 1.04	
• Consumer price: € 2.19	

The difference between these two prices consists of the VAT, the margin that Oxfam fair trade needs (for operating costs, transport to world shops, etc.) and the margin of the world shops.

3.5% of the consumer price goes to the cocoa producers.
2.19% of the consumer price goes to the sugar cooperative.

**This date is important! A price structure is always a snapshot. Prices are constantly changing on the world market.*



photo: oww



Oxfam
FAIRTRADE
For a just world



Oxfam
FAIRTRADE
For a just world

Price structure

Lautaro, red wine from Chile

Update: 1 April 2010



Product and producer

Oxfam Fairtrade buys the wine from the Sagrada Familia cooperative in Chile.

We pay 1.67 per bottle of Cabernet Sauvignon bottled on location. This price includes a premium. Sagrada Familia decides itself on how to use this premium, i.e. in particular for scholarships and to reimburse medical expenses.

There are no minimum prices for wine, a finished product, applied by FLO (the international umbrella organisation of labelling initiatives such as Max Havelaar), but there are for grapes that the farmers sell to the cooperative. This is because there are different quality levels of wine, which are partially subjective and thus not easily translatable into fixed prices. For wine, it comes down to offering a fair price. FLO naturally makes sure that the cooperatives pay the minimum price for the grapes.

Price structure for a (750 l) bottle of Lautaro red wine – April 2010*

- We therefore pay € 1.67 per bottle of Cabernet Sauvignon bottled on location.
- The logistical procedure, from ocean freight to clearance and import duties, costs € 0.17 per bottle. As the wine was bottled in the country of origin, this product need undergo no further processing in the North; only quality control is carried out.
- The excise duties and the eco tax for wine are very high, nonetheless: € 0.44 per bottle.
- The total cost for a bottle of wine is € 2.28 (inclusive of excise duties), of which € 1.67 remains in Chile. Without excise duties, the cost amounts to € 1.84, of which € 1.67 remains in Chile.
- The consumer price amounts to € 5.79. The difference between our cost and the consumer price therefore consists of excise duties, the VAT (21%), our margin (for operating costs, transport to world shops, etc.) and the margin of the world shops.

28.8% of the consumer price therefore goes to the producers of Sagrada Familia.

**This date is important! A price structure is always a snapshot. Prices are constantly changing on the world market.*



photo: Imke D'haese

Price structure

Extra Virgin Olive Oil from Palestine

Update 1 October 2009



Product and producers

Oxfam Fairtrade buys Extra Virgin olive oil from the cooperative Palestinian Agricultural Relief Committees (PARC), a partner of Oxfam Wereldwinkels / Oxfam Fairtrade since 1992.

In addition to olive oil, we also buy almonds, couscous and dates directly.

The organisation was created in 1983 by a group of volunteers that wanted to support the Palestinian agricultural sector. Today, PARC supports agricultural products in a hundred Palestinian villages in the Gaza strip and on the West Bank.

Oxfam Wereldwinkels / Oxfam Fairtrade is PARC's biggest fair trade partner. The cooperation with fair trade enables PARC to provide cooperatives of farmers and craftsmen support for the promotion, marketing and quality improvement of their products.

The cooperation with PARC provides also symbolic support to a people that have been oppressed for so long.

Price structure for a (750 ml) bottle of olive oil – October 2009*

- For the 2007 harvest, PARC paid the farmers NIS (New Israeli Shekel) 22.5 for 1 litre of Extra Virgin olive oil (NIS 26 for organic Extra Virgin olive oil). This comes to NIS 16.88 or € 3.44 per 750 ml bottle.
- The bottling, packaging and quality control in Ramallah costs € 2.12.
- The transport from Ramallah to the harbour in Israel and from there to Belgium costs € 0.31.
- The cost of all sorts of labels, clearance and quality control amounts to 0.14.
- Our total cost is therefore € 6.01 for a 750 ml bottle of olive oil.
- The consumer price amounts to € 9.25. The difference between these two prices consists of the VAT, the margin that Oxfam Fairtrade needs (for operating costs, transport to world shops, etc.) and the margin of the world shops.

37% of the consumer price goes to the individual olive oil producer. 23% goes to the processing and the PARC cooperative in Palestine.

**This date is important! A price structure is always a snapshot. Prices are constantly changing on the world market.*



photo: Marc Bontemps



Oxfam
FAIRTRADE
For a just world



Oxfam
FAIRTRADE
For a just world

Price structure

Orange juice from Cuba and Brazil

Update: 1 April 2010



Product and producers

Cealnor from Brazil has 1050 members, 55 of whom are producers of oranges and passion fruit. In 2008, Coopealnor took over the commercial activities of Cealnor. In 2009, Coopealnor started to export on its own. Cealnor and Coopealnor share the fair trade premium. 50% of the difference between the market price and the fair trade price goes to the producers, and the other 50% to financial reserves for the future.

Coagrosol is a cooperative of small and medium-sized citrus fruit producers in the north of São Paulo, Brazil. Coagrosol trades about 70% of the exports at fair trade conditions. ACREMIR, a cooperation initiative by workers, producers, Coagrosol and the trade unions, was created to manage the fair trade premium.

Oranges and grapefruit from Cuba come from two cooperatives. In one cooperative, the land is owned collectively and the work is carried out collectively as well. The other is a services and credit cooperative: the members are individual farmers who till their own land together with their family. All members of both cooperatives are in turn members of the National Small Farmers' Association (known by the Spanish acronym ANAP), which defends the interests of small farmers at national level and facilitates cooperation by and between Oxfam-Wereldwinkels and its Cuban agricultural partners.

Price structure for a (1 litre) bottle of orange juice - April 2010*

- Fair trade price + premium for Cuba € 0.12
- Fair trade price + premium for Brazil € 0.08 + 0,1 = 0,18 euro
- Refrigerated ocean freight of ingredients, clearance, deep-frozen storage of ingredients, insurance, mixing of ingredients € 0.08
- Bottling, packaging, Max Havelaar, transport of finished product € 0.26
- Total cost € 0.64
- Consumer price € 1.55

The difference between the total cost and the consumer price consists of the VAT, the margin that Oxfam Fairtrade needs (for operating costs, transport to world shops, etc.) and the margin of the world shops.

19% of the consumer price therefore goes to the producers in Cuba and Brazil.

**This date is important! A price structure is always a snapshot. Prices are constantly changing on the world market.*



Oxfam
FAIRTRADE

For a just world

Oxfam Fairtrade cvba
Ververijstraat 15
B - 9000 Gent
© +32 (0)9-218 88 99
ondernemingsnr.
BE 0453 066 016
RPR Gent
www.oxfamfairtrade.be

Ed.oft: 08-2010 - 202



photo: Tineke D'haese